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To all
clients

Circular
No. 39/2025

Bolzano, 27 October 2025

Subject: Various changes of recent weeks

Please find below some brief information on various changes of recent weeks:

1. Corporate taxation

Optional extras on passenger cars and fringe benefits: the manifold problems in connection with the provision of vehicles for mixed use to employees remain unresolved. Instead, the Italian Revenue Agency has raised a new problem area in a ruling (No. 233 of 9 September 2025): the case concerns company vehicles where the employees themselves may request, at their own expense, particular optional extras in addition to the standard equipment. And this is expressly set out in the company car policy: the employee may choose any additional optional extras, which are, however, charged to him on a pro rata basis over the course of the use. The enquiring company therefore takes the view that this recharge reduces the flat-rate benefit in kind for the employee. The Italian Revenue Agency, by contrast, points out that the Automobile Club Aci bases the calculation of the flat-rate cost per kilometre on standard equipment and therefore does not take any

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optional extras into account. Accordingly, the Italian Revenue Agency does not share the applicant's interpretation and stresses that in this case, despite the optional extras being charged to the employee, the customary flat-rate value must be taken into account in full as a fringe benefit, without deducting the analytical recharges for the optional extras.

Charging and refuelling of vehicles: the answer given in ruling No. 237 of 10 September 2025 is likewise unsettling. In it, a company explains that it charges employees the costs of refuelling or charging the vehicle once a certain kilometre threshold is exceeded, and accordingly takes the view that such a recharge must reduce the flat-rate amount of the fringe benefit. The Agency rejects this view as well. These recharged amounts do not reduce the benefit in kind and may therefore not be deducted from the flat-rate benefit in kind. The amount invoiced to the employee is thus to be deducted from the net amount of the payroll. The same problems arise as with the recharging of optional extras.
Recommendation: in view of the rulings outlined above, we can only recommend that, in the agreements with employees, any justification for recharges by reference to individual cost items be avoided as far as possible. In certain circumstances it could be stated that the recharge relates to excessive private use, but not that it constitutes the settlement of additional costs for equipment, fuel or electricity.

Demergers: last August, an answer of the Italian Revenue Agency (No. 225 of 21 August 2025) attracted considerable attention, according to which tax-neutral demergers would be possible only into newly incorporated companies, but not into already existing ones. In this regard it may be noted that this answer related to a temporary legal situation which should have been clarified by Legislative Decree No. 88/2025. Following the amendments pursuant to Article 2506(1) of the Italian Civil Code, a demerger by way of spin-off may, according to the prevailing doctrine, be carried out on a tax-neutral basis both in favour of a newly incorporated company and in favour of an already existing company.

Shell companies: in order for the rules on dormant companies within the meaning of Article 30 of Law 724/1994 to apply, the company must have been in existence for at least 4 years. This follows from the fact that, for the purposes of the operating test („test di operatività“), the revenue and income as well as the carrying amounts of the assets and of the fixed assets are determined on the basis of the average results of the last 3 years. Since the first year of a company's existence is, however, irrelevant for these rules, the company must have been incorporated at least 4 years earlier so that the average of the three

following financial years can be calculated. On the basis of these considerations, the Court of Cassation concludes in judgment No. 22007 of 30 July 2025 that the provisions on shell companies do not apply in the year of incorporation and in the two following years. Only in the 4th year are the control mechanisms applicable.

Industry 4.0 and 5.0 tax credit: the Italian Revenue Agency has recently confirmed that partnerships and family businesses may transfer tax credits in the areas of Industry 4.0 and Industry 5.0 to their partners or to the family members working in the business in proportion to their share of profits for tax purposes.

2. Value added tax

Pursuant to the Decree of the Ministry of Finance of 6 August 2025 (published in the Official Gazette of 16 September 2025), the agricultural compensation rate for firewood and roughly processed raw timber is 6,4% for the years 2024 and 2025. As a reminder: where the special VAT regime under Art. 34 of the VAT Act is applied, these agricultural VAT compensation rates serve to calculate the flat-rate input VAT deduction on supplies of agricultural products. However, they also apply as the VAT rate for supplies of agricultural products where these are made by exempt small-scale farmers (Art. 34(6) of the VAT Act). Where agricultural products are purchased from exempt farmers, the compensation rate must be applied by the purchasers in the self-billing invoice, since these farmers are exempt from issuing invoices.
The VAT rate of 6,4% concerns, in detail, firewood, brushwood, wood waste and wood flour pursuant to item 43 of VAT Table A/I (customs tariff No. 44.01) as well as simple squared timber, sleeper timber and similar pursuant to item 45 of VAT Table A/I (customs tariff No. 44.04).
As indicated, the amendment also applies retroactively for the year 2024. Whether corrections for the previous year are appropriate will have to be examined on a case-by-case basis.

VAT and logistics: as notified at the beginning of the year, the Budget Law for 2025 provided that services rendered to transport and logistics undertakings under contracts for work, subcontracts or other engagements, which are performed predominantly by manual work, are to be invoiced under the reverse charge procedure with suspension of VAT. This extension of invoicing with a shift of the tax liability to the principal must, however, be approved by the EU Commission, and to date this approval is still outstanding!
Pending the implementation of the above-mentioned reverse charge procedure for the logistics

sector, the following transitional solution is nevertheless introduced already as from 1 January 2025: the service provider and the principal may opt for a shift of the VAT liability to the principal, for a period of 3 years. If the option is exercised, the VAT must (similarly to the split payment mechanism today) be paid by the principal by the 16th of the month following the issue of the invoice, without any possibility of horizontal offsetting. As regards the personal and material scope: the special procedure concerns services rendered on the basis of contracts for work, subcontracts, assignments within the framework of consortium agreements and other engagements awarded in the fields of transport, goods handling and logistics. By Law Decree 84/2025 the transitional regime was extended to subcontracts as well.

The supplying business must accordingly show the VAT in its invoice, but this VAT is to be deducted from the amount due, since payment of the tax is made by the principal in the name and on behalf of the supplier. The principal must pay the VAT withheld as a total amount, without offsetting against any credits. The supplier is likewise liable for the payment of the tax. By Decree of 28 July 2025 the form required for this option was introduced. A new payment code was also introduced for the payment of this VAT:

6045. In addition, as a result of the joint and several liability, the payer must be specifically identified, and for this purpose code „66“ was introduced by Ruling No. 53/E of 7 October 2025. In the top block of lines of the form, the usual details of the taxpayer must be entered (tax number, company name and date of birth) and, in the last line of that block, also the tax number of the jointly liable party (or co-obligor), with code „66“ to be indicated for identification purposes.

<u>On the basis of these implementing provisions it would now finally be possible to make use of the transitional rule described above. For further questions and documents on this subject, please feel free to contact us.</u>

VAT control notices: pursuant to Decree No. 369141 of 9 October 2025, the Italian Revenue Agency is in these days sending out control notices concerning discrepancies resulting from the comparison between, on the one hand, the data of the electronic invoices and of the electronic till receipts and, on the other hand, the annual VAT return (Mod. IVA 2024) for the year 2023. It is advisable to check the discrepancies and, where appropriate, to make corrections, also availing of reduced administrative penalties, rather than having to conduct costly tax litigation later on.

Credit notes and VAT: we have informed you on several occasions about the deadlines for issuing credit notes with VAT, and also about the fact that in cases of insolvency and the

like the Italian Revenue Agency takes the view that such VAT must be offset at the latest in the annual VAT return for the year following the calendar year in which the right to issue the credit note arose (e.g. opening of insolvency proceedings in 2025, final deadline for input VAT deduction 30 April 2026). This deadline can often not be met, simply because the necessary information is not available.

On this subject, Guideline No. 231 of 11 September 2025 of the chartered accountants and tax advisors has now been published: it takes the view that the VAT arising from credit notes may be deducted up to 31 December of the fifth year following the filing of the annual VAT return for the year in which the right to issue the credit note arose. The guideline is extensively reasoned and should withstand tax litigation.

<u>Note: should you find yourself in such a situation and have perhaps already waived the input VAT deduction, it is worth filing a refund application on the basis of this guideline.</u>

<u>3. Real estate</u>

Late registration of lease agreements: by Ruling No. 56/E of 13 October 2025 – in line with the settled case law of the Court of Cassation (judgment No. 17657/2022), which has also been confirmed by the Constitutional Court – the Italian Revenue Agency has changed its previous position on the calculation of administrative penalties in the event of late registration of long-term lease agreements for real estate. In particular, in the event of late payment of this tax – provided that no option was exercised for a single payment covering the entire term of the agreement – the penalty is to be assessed only on the tax due for the individual contract year and not, as required until now, for the entire term of the lease agreement.

Flat-rate tax and residential properties used for business purposes: the Italian Revenue Agency insists that the flat-rate tax („cedolare secca“) may be applied to residential leases only where both contracting parties – i.e. the landlord and the tenant (!) – are private individuals, or where the letting is not carried out in the course of a business activity, and this even though the law contains no relevant requirements as regards the tenant. Most recently, the Minister of Finance himself confirmed this strict line in answering a question put by „our“ local senators Luigi Spagnolli and Julia Unterberger (question No. 3-02159 of 23 September 2025).

It may be added that there are meanwhile no fewer than three judgments of the Court of Cassation (No. 12395/2024, No. 12076/2025 and No. 12079/2025) which clearly contradict the interpretation of the tax authorities, precisely on the grounds that the law does not require the

tenant not to be a business.
Note: in view of the wording of the law and the three judgments of the Court of Cassation on the one hand, and the contradictory interpretation by the tax authorities on the other, in the event of a dispute there should at least clearly be the legal uncertainty required under the Taxpayer's Charter, according to which, in the event of challenges, at least no penalties and interest may be demanded!

Tax deductions for renovation works and inheritance: in the event of inheritance, tax deductions arising from the renovation of residential buildings pass, as is well known, to the heir. By Guideline No. 7 of 2 October 2025, the Italian Revenue Agency provided the following clarifications: it is recalled that, in order to claim the deduction, the heir must have actual and direct possession („detenzione materiale e diretta") of the property. This condition need not, however, necessarily be met at the time/in the year of the inheritance, but may also arise only in a subsequent year. It must then, however, be met for the entire year (from 1.1. to 31.12.) for which the deduction instalment is to be claimed. Consequently: if actual and direct possession is obtained only in the course of the year, the instalment for the year in question may not be deducted by the heir. Entitlement to the tax deduction exists from the instalment for the following year, provided that the said possession continues.

Tax deductions under the Budget Law for 2026: finally, a glance into the crystal ball. A few days ago the Government approved the draft Budget Law for 2026. According to this draft, the tax deductions for the renovation of residential buildings and for energy-efficiency refurbishments are to be confirmed for next year as well at the current levels of 50% and 36% respectively, and the reduction to 36% and 30% respectively provided for in the Budget Law for 2025 is not to take effect. This reduction is for the time being postponed to 2027. Since this measure has also recently been widely announced in the press, it may be assumed that the deductions will in fact remain in place in 2026 at their current levels. The usual last-minute rush at the end of 2025 should therefore be unnecessary.
Likewise, the so-called furniture bonus is to be extended by a further year.
By contrast, the tax deduction of 75% for the removal of architectural barriers is to expire. Anyone who has such works in progress, whether a private individual or a business, would therefore be well advised to ensure completion (with payment in the case of private individuals) by the end of the year.

<u>4. Other matters:</u>

Voucher for the purchase of electric vehicles: since 22 October 2025, natural persons and micro-enterprises may apply for a tax credit for the purchase of electric vehicles. For this purpose, natural persons may not exceed an ISEE income of 40.000 Euro. Using SPID or CIE credentials, the necessary registration can be completed on the website of the Ministry of the Environment at www.bonusveicolielettrici.mase.gov.it.www.bonusveicolielettrici.mase.gov.it

Revaluation of shareholdings and land: as already notified in our circular at the beginning of the year, the „extraordinary“ revaluation of shareholdings and of land not held in a business, which has been extended year after year over the past decades, has finally been introduced as a permanent regime. By 1 December 2025 (30 November falls on a Sunday this year), natural persons, simple partnerships and non-commercial entities may revalue unlisted shareholdings and land not held in a business at the market value as at 1 January 2025, against payment of a substitute tax. The substitute tax amounts to 18%, calculated not on the capital gain but on the value of the shareholdings and land. Payment may be made in a single instalment by 1 December 2025 or in three equal annual instalments, each falling due on 30 November, in which case, however, interest of 3% is charged

Household appliances bonus: last summer an appliances bonus was introduced. Its aim is to support the competitiveness of industry and to reduce domestic energy consumption by purchasing particularly efficient appliances manufactured in the EU while at the same time disposing of the old appliance. The bonus is granted as a time-limited voucher which results in a direct price reduction at the time of purchase; the retailer is reimbursed subsequently.

The subsidy amounts to up to 30 % of the purchase price, but no more than 100 Euro per appliance, or 200 Euro where the ISEE is below 25.000 Euro.

Only one appliance is eligible per application, the funds are capped at a total of 50 million Euro, priority is determined by the order in which applications are received, and cumulation with other subsidies is excluded.

A precondition is the return of an old appliance of the same category with a poorer efficiency class; the seller must document proper disposal for recycling.

The eligibility check and the issue of vouchers are carried out via a platform operated by PagoPA, which queries, among other things, INPS and ANPR data (DSU/ISEE, family composition), and the voucher is linked to the applicant's tax number and is time-limited. The final amount of the subsidy is calculated when the voucher is redeemed, on the basis of the actual sales price. Only products listed in the MiMiT register and meeting the minimum efficiency classes applicable to the respective category are eligible (washing machines/washer-dryers ≥ A, ovens ≥ A, cooker hoods ≥ B, dishwashers and dryers ≥ C, refrigerators/freezers ≥ D, hobs in accordance with EU Regulation 66/2014).

Retailers (including online retailers) must be registered on the platform and reported on the RAEE portal, must accept vouchers, must issue invoices showing the original price, the bonus amount and the disposal obligation, and receive reimbursement from Invitalia after expiry of the right of withdrawal upon submission of the supporting documents.

The necessary implementing provisions were issued by Decree of 22 October 2025. Accordingly, retailers may register as from 27 October 2025.

Inheritance tax: as notified, for estates opened as from 1 January 2025 there is an obligation to self-assess the tax, meaning that the tax is no longer calculated and notified by the tax office but must be determined and paid by the heirs themselves. For this purpose the Agency has now made dedicated software available.

Eco-tax on vehicles: anyone who purchased in 2020 a vehicle with emissions of more than 160 g CO2 per km had to pay, upon first registration in Italy, a so-called eco-tax of between 1.100 Euro and 2.500 Euro, depending on the level of emissions. Since evidence of payment was evidently not required upon registration, the tax was in many cases not paid. The tax for the year 2020 becomes time-barred on 31 December 2025, and accordingly numerous defaulting taxpayers are in these days receiving payment demands from the Italian Revenue Agency. Should you receive such a notice, please first check whether payment was in fact omitted and whether the emissions figure indicated corresponds to that shown in the vehicle registration document. Where the acquisition was made through a leasing company or in the course of a long-term rental, it must also be checked whether the leasing company or the lessor was in fact obliged to pay. In particular in the case of the registration of used vehicles from abroad there is moreover a marked unequal treatment, since for domestic vehicles the tax was due only in respect of new vehicles. Costly tax litigation is as a rule not worthwhile given the amounts involved; in doubtful cases, however, a settlement with the office waiving interest and penalties may be sought.

Consolidated Act on indirect taxes: on 13 August 2025 a new Consolidated Act on indirect

taxes (Legislative Decree No. 123/2025) entered into force. It brings together and coordinates in a single body of legislation all the current provisions in the areas of registration tax, mortgage and cadastral taxes, inheritance and gift taxes as well as stamp duty. The Consolidated Act applies in principle to contracts concluded as from 1 January 2026. From today's perspective, credit must be given to the legislation for the fact that many provisions have been consolidated and mutually aligned; however, no fundamental changes result, and accordingly there is no need, from a tax perspective, to recommend bringing forward or postponing certain transactions in anticipation of the reform. The differences will presumably only be worked out by the case law in the future.

We remain at your disposal for any further information

Yours sincerely
Josef Vieider